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BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKET CONTROL

7 IN THE MATTER OF THE APPLICATION
8 OF PAYSON WATER CO., INC., AN ARIZONA
9 CORPORATION, FOR A DETERMINATION OF
10 THE FAIR VALUE OF ITS UTILITY PLANTS
11 AND PROPERTY AND FOR INCREASES IN
12 ITS WATER RATES AND CHARGES FOR
13 UTILITY SERVICE BASED THEREON.

DOCKET NO. W-03514A-13-0111

Arizona Corporation Commission

DOCKETED

FEB 14 2014

DOCKETED BY

15 IN THE MATTER OF THE APPLICATION
16 OF PAYSON WATER CO., INC., AN ARIZONA
17 CORPORATION, FOR AUTHORITY TO (1) ISSUE
18 EVIDENCE OF INDEBTEDNESS IN AN AMOUNT
19 NOT TO EXCEED \$1,238,000 IN CONNECTION
20 WITH INFRASTRUCTURE IMPROVEMENTS TO
21 THE UTILITY SYSTEM; AND (2) ENCUMBER
22 REAL PROPERTY AND PLANT AS SECURITY
23 FOR SUCH INDEBTEDNESS.

DOCKET NO. W-03514A-13-0142

ORIGINAL

25 **Response to "Staff's Notice of Filing", Regarding Summer Water Augmentation Surcharge for**
26 **East Verde Park (EVP)"**

References:

- 29 1. "Staff's Response to Rejoinder Testimony and Supplemental Rejoinder Testimony (Phase 2)",
30 filed January 24, 2014.
31 2. "Staff's Notice of Filing" filed February 12, 2014
32

33 Attachment C of the Reference 1 filing by Staff included sample calculations for water hauling surcharge
34 for East Verde Park (EVP). During the hearing on February 10, it was concluded that these calculations
35 do not provide an accurate assessment of water hauling surcharges. Therefore, Judge Nodes ordered
36

1 that Staff files a revised methodology for determining the EVP water hauling surcharge. This was filed by
2 Staff in Revised Attachment B of Reference 2.

3
4 Although the EVP ratepayers continue to maintain that the proposed rate increases are of such high
5 magnitude that they should cover any seasonal water hauling needs at EVP (ie: per Reference 1, rates
6 from 3001 to 10,000 gallons nearly quadruple, from \$1.93 to \$7.66), I feel obligated to provide input to the
7 method for calculating the water hauling surcharge in the event that such surcharge is implemented.

8
9 The method in Reference 2 for determining EVP customers' portion of water hauling costs is not fair, as it
10 apportions the water hauling surcharges to everyone, even those customers whose water use is low
11 enough to avoid the need for any water hauling.

12
13 I have given some thought to the method for calculating the individual customer billing for EVP hauling
14 surcharge, which considers feedback that I received at EVP community and board meetings. In
15 particular, some ratepayers said that they do no outdoor watering and have adopted a very water-frugal
16 lifestyle, and should not be made to pay hauling surcharges that are caused by others who choose a
17 lifestyle with higher water use. Therefore, I propose that the calculation for EVP water hauling surcharges
18 in the customer billing establish a threshold amount of water use, below which the customer does not pay
19 a water hauling surcharge.

20
21 The method is simple:

- 22 1. For a given month, start with the total amount of water pumped from local wells at EVP.
23 2. Divide the local water production by the number of active connections at EVP, to determine the
24 threshold amount of locally-produced water per customer.
- 25 • Below this threshold, customers do not pay a water hauling surcharge.
 - 26 • The premise is that if all EVP customers had used no more than this threshold amount of water,
27 then water hauling would not have been necessary at all, so it is unfair to charge residents using
28 less than the threshold amount a hauling surcharge
- 29 3. Customers who use more than this threshold amount would pay the hauling surcharge in proportion
30 to their use of water over the threshold.

31
32 Consider as an example the June, 2012 EVP water use data (Reference Exhibit JW-SRJ3 of PWC filing
33 January 15, 2014):

- 34 • There were 142 active connections at EVP.
35 • Production from EVP wells was 486,840 gallons.
36 • Water hauled to EVP was 51,817 gallons

- 1 • Based on MDC hauling costs in past years and data from References 1 and 2, the adjusted cost
2 of hauled water for June 2012 would have been approximately \$1671.63, calculated as follows:
 - 3 ○ 51,817 gallons requires 8 water hauling trips by a truck with 6500 gallon capacity.
 - 4 ○ The hauling company charges \$150 per hour and 1.2 hours per trip, or \$180 per trip.
5 This comes to $\$180 \times 8 = \1440 for eight trips.
 - 6 ○ The cost of purchased water in this example is assumed to be \$7.00 per thousand
7 gallons from Town of Payson, or $51.817 \times \$7 = \362.72
 - 8 ○ So the total cost of hauled water to EVP in June 2012 would have been $\$1440 + \362.72
9 $= \$1802.72$, before adjustments for avoided costs and account balance of curtailment
10 surcharges.
 - 11 ○ Avoided production costs at the rate of .60 per thousand gallons per Staff's Reference 1
12 recommendation are $51.817 \times .60 = \$31.09$.
 - 13 ○ Let's assume a \$100.00 balance in the EVP curtailment account, same as the example in
14 the Reference 2 Staff filing.
 - 15 ○ So, the adjusted cost of hauled water to EVP in June 2012 would have been \$1802.72
16 (cost of water purchase and hauling) - \$31.09 (avoided production costs) - \$100
17 (curtailment account balance) = \$1671.63
- 18
- 19 a) With 142 active connections at EVP, the threshold amount of water use in June 2012 to avoid the
20 hauling surcharge would have been 486,840 gallons of locally-produced well water divided by 142, which
21 equals 3428 gallons per customer.
- 22
- 23 b) So a PWC customer who used less than and up to 3428 gallons in June 2012 should not have been
24 assessed a hauling surcharge.
 - 25 • If all customers in EVP had used no more than 3428 gallons in June 2012, then water hauling
26 would not have been necessary at all.
- 27
- 28 c) Now, let's consider a customer who used 5000 gallons in June 2012. This customer used 5000-
29 3428 = 1572 gallons in excess of the surcharge-free threshold. So out of the 51,817 gallons hauled in
30 June 2012, this customer used $1572/51,817=3.034\%$ of the total EVP hauled water. Therefore, this
31 customer's hauling surcharge for the month of June 2012 would have been 3.024% of the total adjusted
32 hauled water cost for EVP.
 - 33 • So, the customer who used 5000 gallons in June 2012 would have had an augmentation
34 surcharge of $3.034\% \times \$1671.63 = \50.72 .
- 35
- 36

1 I propose that this is more fair than the calculation method that is implied in the Staff filing of Attachment
2 B, Reference 1, which suggests that all customers pay a portion of the monthly hauled water cost,
3 regardless of how low their water use.

4
5 I agree with Staff's recommended cap on the total water hauling surcharges per year.

6
7 I also request that the monthly billing statements show the total EVP gallons of water produced locally
8 and hauled, the total EVP hauled water cost for the month, the surcharge-free threshold amount, and the
9 individual customer's percentage of hauled water used. These are all data items that are known and
10 available, since they are required to assess individual customer's surcharge. Customers need this
11 information to understand their bill and to modify their water use habits to avoid or minimize surcharges.

12
13 I propose this is both reasonable and administratively workable.

14
15 Thank you for your kind consideration,
16 Tom Bremer

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18 Submitted this 14th day of February, 2014.

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23 Copies to:

24 ACC Docket Control (13 copies)

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